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ASSESSOR PROPERTY TAX FORECAST

Property taxes support critical public services including law enforcement, fire protection, and education. The assessment of property values by the Office of the Los Angeles County Assessor (Assessor) is key because it determines the amount of property tax revenue that will be available to provide these core public services. It is imperative that the Board of Supervisors, the governing bodies of other local public agencies, and the public have confidence in the Assessor to accurately, efficiently, and impartially administer the property assessment process. The public must be ensured that adequate controls are in place to safeguard the reliability and integrity of the system. However, in recent days, questions have arisen about this very process.

Property tax is the largest source of local revenue for Los Angeles County and for most, if not all, other local jurisdictions (including cities, schools and special districts). For this reason, trends in the growth of assessed valuation of properties in Los Angeles County are followed closely by budget-writers at all agencies. In December of 2011, the Assessor issued the first forecast of growth in the tax roll for fiscal year 2012-13. At that time, the Assessor projected a net increase of almost \$18.7 billion, or 1.77%.

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This week, the Assessor issued an updated forecast. According to this latest estimate, the assessed valuation of property in Los Angeles County will increase next year by only \$5.1 billion, or 0.49%. This is a reduction in property tax revenue growth by more than two-thirds since December 2011.

This dramatic swing in forecasting of property taxes is unprecedented in recent history, and will raise serious concerns in the 2012-13 budgeting processes currently underway for the County and other local governments. For the County General Fund alone, this forecasting change represents a potential reduction of \$50 million in property tax receipts. There will be corresponding reductions for the County's separately-funded Fire, Library and Flood Control Districts. Cities, school districts, community college and other special districts will all be impacted and have to evaluate how to respond to this unexpected forecast change.

To ensure the accurate and transparent preparation of the Los Angeles County property tax roll, the Board should order an independent review of the Assessor's business processes, operations, and system of internal controls.

WE, THEREFORE, MOVE that the Board of Supervisors:

1. Instruct the Auditor-Controller to conduct a comprehensive audit of the Assessor's operations, including but not limited to the Department's finances, business, administrative and procurement practices, and internal controls and information systems, to determine whether the Assessor's office is appropriately and efficiently administering the County's property assessment and appeals functions, and exercising appropriate management oversight of its operations and employees.
2. Instruct the Auditor-Controller to retain outside consultants and other subject matter experts to independently review and verify the Assessor's FY 2012-13 roll forecast

and, as-needed, to complete the audit. This review should assess the methodologies employed to produce the forecast, identify benchmarking data and property assessment best practices, and make recommendations to improve the property assessment system.

3. Report back to the Board monthly on the status of the audit and independent review, until the final report is issued.

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